

NJ DEP GREEN ACRES PROGRAM

SCOPE OF WORK FOR

BLUE ACRES APPRAISAL SERVICES

A. Introduction

- a. In order to accomplish and fulfill the goals of the Green Acres Program, all appraisals prepared for the Blue Acres Program are required to be prepared in accordance with the Appraisal Guidelines that follow. Any omission of required documentation will result in the rejection and return of the report to the appraiser for revision and/or correction.
- b. On site meeting with the appraiser(s) and a review appraiser from Green Acres is required for all assignments, unless there is a written waiver from the appraisal section of the Green Acres Program.

B. Notification of Parties

- a. It shall be the appraiser's responsibility to notify the property owner and/or other designated representatives that an appraisal for the State of New Jersey Green Acres Program is to be prepared. Due to time constraints, a phone call to the property owner to set up the site inspection is acceptable. However, a certified letter on company letterhead is to be sent to the property owner confirming the notification and subsequent inspection. Copies of said notice must be included in the body of the appraisal. If the appraiser is unable to contact the owner, he/she must notify the project manager prior to making the site inspection.
 - i. The complete inspection of the subject (both interior and exterior) must be completed by an individual appraiser on the Green Acres list of approved appraisers.

C. Format

- a. Cover Page
 - i. Whenever possible (based on limitations of the forms and software), include the following information on the cover page:
 - 1. Color Photograph of the subject property.
 - 2. Green Acres Owner or Offer Number (The Owner number is generally found on Notice of Engagement).
 - 3. Name of Property Owner (or Owners)
 - 4. Identification of Property by the Street Address, Municipality, County, State, Zip Code and Tax Block and Lot
 - 5. Total Square Feet of the Subject Improvements
 - 6. Effective Date of Valuation (which may vary if federal funding is to be applied to acquisition).
 - 7. Report Date

8. Identification of the Appraiser (Name, Address, Phone, Fax, and Email)
- b. Table of Contents
 - i. While this is not required, if included reference required sections to specifically identified pages, each consecutively numbered. All pages of the report should be sequentially numbered if the software package allows.
- c. Form Type:
 - i. Each appraisal report must be on a general purpose form. The specific forms for each appraisal package is as follows:
 1. ACI: GPAR (General Purpose)
 2. WinTotal: GP (General Purpose Appraisal Report)
 3. ClickForms: NL-Residential
 - ii. If the appraiser determines that another form would be more suitable for the assignment, they must first seek written approval from the appraisal section of the Green Acres Program.
- D. Letter of Transmittal
 - a. While this is not required, if included the letter shall include the report date, date of value, and the market value estimate.
- E. State of Assumptions and Limiting Conditions
 - a. There cannot be any limitation to the appraiser's liability other than what is provided for by law. For example, the liability cannot be limited to the amount of the professional fee.
- F. Scope of Work
 - a. Scope of Work description shall be included.
 - b. Intended Use
 - c. List "Green Acres and any other funding partner" as an Intended User as well as any other Intended Users (i.e. the municipality in a local acquisition)
 - d. List Client
 - e. Hypothetical Conditions and Extraordinary Assumptions
 - i. General Comment
 1. Hypothetical Conditions and Extraordinary Assumptions are not permitted without specific written instructions from the Green Acres Program Appraisal Section.

Certain FEMA grant programs may allow for valuation alternatives that are beyond the traditional Green Acres valuation purview. These instances should be clearly defined as part of the scope of work instructions and agreed to in writing in advance to avoid lengthy procedural debates and numerous revision requests.

ii. Effective Date

1. The effective date of the appraisal, which is generally the pre-event or pre-storm date, will be agreed to in advance in writing only by the Green Acres Program.
2. Current market value may be used if ownership of the property changed since the last flood or storm event.

iii. Condition

1. The property's condition should be as it was as of the Effective Date.
2. The appraiser should use their best efforts to ascertain the condition on the effective date including, but not limited to, the following:
 - a. interviewing the owner or occupant;
 - b. securing any photographs taken on or before the Effective Date;
 - i. Should photographs be available, they should be included in the appraisal report.
 - c. the municipal tax assessor's property record card;
 - d. documentation from the municipal construction/building department; and
 - e. other sources, including online sites/pictures (such as historic aerials).

G. Definition of Market Value

- a. Unless otherwise agreed to by the Appraisal Section, the definition of Market Value is as follows:
 - i. Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
 1. buyer and seller are typically motivated;
 2. both parties are well informed or well advised and acting in what they consider their own best interests;
 3. a reasonable time is allowed for exposure in the open market;
 4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

H. Inspection Date

- a. Statement regarding invitation made to property owner to accompany the appraiser on the site inspection.
- b. Listing of the people who accompanied the appraiser on the site inspection.
- c. An interior inspection is required. If one is not possible, please contact the Client (Green Acres or the local municipality as appropriate) for assistance.
 - i. If the structure(s) is uninhabitable or unsafe, please note that in the report as the reason that the subject interior was not inspected.

I. Sales Comparison Approach

- a. The appraisal report shall contain a direct comparison of pertinent comparable sales to the property being appraised and a statement setting forth the analysis and reasoning supporting each item of adjustment.
- b. At least FIVE comparable sales, if applicable, shall be recited in the report
 - i. In some cases, it may prove difficult to find five comparable sales in the immediate neighborhood of the subject. Therefore, the appraiser is encouraged to go outside the municipality where the subject is located if five comparable sales are not available, especially to those areas that experience similar flooding challenges.
 - ii. If five comparable sales are not available, an explanation as to why must be provided. Further, the appraiser must state the sources used to identify comparable sales and the criteria of the search.
- c. Pertinent comparable sales data shall include flood zone, basic information about the home, and information source(s). All comparable sales shall be personally inspected in the field by the appraiser.
- d. Market Adjustments: Please provide market data to substantiate any change in market conditions.
- e. Reconciliation: The appraiser must discuss in some detail the selected weighting of the adjusted comparable sales and provide for reasoning behind the same.

J. Income Approach

- a. Where the Income Approach is used, the appraisal report shall be documented to support the income, operating expenses, interest rate, remaining economic life and capitalization rate.
- b. Economic rent will be supported by comparable leases, including an adjustment grid to establish market rent.
- c. Comparable lease location map and photographs must be included
- d. When it is determined that the economic rental income is different from the existing or contract income, the increase or decrease shall be explained and supported by market information.
- e. When estimating the value of a leased fee estate or a leasehold estate, consider and analyze the effect on value, if any, of the terms and conditions of the lease.

- f. Data sources for the operating expenses, interest rate, remaining economic life, capitalization rate, and any other data should be cited in the report; the publication date should also be included.

K. Cost Approach

- a. Given the nature of the residential properties and the general lack of comparable land sales, generally the Cost Approach will not be required. The development of the Cost Approach is at the appraiser's discretion.

L. Reconciliation

- a. Where two or more of the approaches to value are used in the report, the appraisal shall show the correlation of the separate indications of value derived by each approach as well as a reasonable explanation for the final conclusion of value.

M. Photographs

- a. All appraisals shall include identified color photographs of the subject property including all principal above ground structures with exterior and interior photographs or unusual features affecting the value of the property.
- b. Further, the appraiser will make an effort to secure photographs from the owner or other sources of the property 'pre-event' to document the subject's condition as of the effective date.
- c. Color photographs, taken at street level whenever possible, of all of the comparable sales and leases analyzed are required.

N. Addenda: The appraisal report shall include:

- a. Maps: Appraisal reports shall contain the following maps:
 - i. Location Map – should show location of subject in relation to general area.
 - ii. Comparability Map – indicates subject property and location of comparable sales and leases.
 - iii. Tax Map and Survey (as available)
 - iv. Flood Map
 - v. Zoning Map
 - vi. Wetlands, topographical, and soils maps shall be included as appropriate.
- b. Photographs
 - i. Identified color photographs and the date the photograph was taken must be included for the subject and all comparable sales or leases.
 - 1. For comparable sales or leases, MLS photos may be used in addition to the inspection photographs to demonstrate the condition of the comparable property at the time of sale. However, inspection photographs must also be provided.
- c. Other Addenda
 - i. Certified Letter to property owner(s) inviting them to the inspection of the property.
 - ii. Deed, if sold within the last five years

- iii. Plot plan and other pertinent exhibits
- iv. Survey, as available
- v. Floor plan, as completed or verified by the appraiser
- vi. Pertinent section(s) of the subject zoning ordinance
- vii. Complete copy of the Letter of Engagement, Contract, Purchase Order, and any other written instructions.
 - 1. At the appraiser's discretion, the Letter of Engagement and any other written instructions may be provided as a separate document, which is separate and apart from the appraisal report.

O. Work Product Submission

- a. The appraiser shall provide FOUR hard copies and ONE media/electronic copy (in PDF format) of the appraisal report for state acquisitions. For local assignments (or those through a non-profit), only TWO hard copies and ONE media/electronic copy (in PDF format) of the appraisal report are required.

P. Special Projects/Additional Work

- a. Should additional work, special projects, hearings, meetings or other activities be required which are beyond the scope of the appraisal assignment, the appraiser will supply a written cost estimate and schedule to the project manager. The appraiser should receive written authorization to proceed from the project manager before commencing such projects.